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Director of Utilities

Ms. Deborah Scott, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007-2996

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Dear Ms. Scott:

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Section R14-2-1609(E) of the Electric Competition Rules ("Rules"), adopted September 29, 1999 through Decision No. 61969, requires Affected Utilities to file with the Commission an implementation plan for the Arizona Independent Scheduling Administrator Association ("AISA") within 30 days of the Commission's adoption of the Rules. This letter constitutes the required filing by Citizens Utilities Company's Arizona Electric Division.

Citizens has maintained an active role in the formation and initial development of the AISA and believes that the requirements under R14-2-1609(E) have largely been met by the AISA Implementation Plan ("Plan") filed with the Commission on September 1, 1998 by Arizona Public Service Company on behalf of the Affected Utilities, including Citizens. By reference, Citizens wishes to incorporate the Plan in this filing. The relevant events that have occurred since the filing of the Plan are summarized below.

- The AISA was incorporated on September 15, 1998, and its first organizational meeting was held October 6, 1998.
- On October 29, 1998, the AISA filed documents, including a draft tariff, with the Federal Energy Regulatory Commission ("FERC") seeking approval for implementation of the AISA and requesting a January 1, 1999, effective date.
- On December 21, 1998, the AISA Board authorized notification to the FERC that there was no need for FERC action by January 1, 1999, because retail open access would not begin in Arizona as originally scheduled.
- In the Spring of 1999 the Affected Utilities agreed to advance funds required to implement the AISA and cover start-up expenses for 1999 and 2000. On April 23, 1999, the AISA signed a Capitalization Agreement and Promissory Note requiring it to re-pay the advances from tariff revenues or other sources. Subsequently, a Director and Assistant Director were hired by the AISA Board.

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- On June 29-30, 1999, the AISA hosted a workshop to review draft Protocols developed by stakeholders and subsequently hired Price Waterhouse Coopers to review the Protocols before filing at the FERC.

Moving forward, the next key steps by the AISA will be Board approval of the Protocols and re-instatement with the FERC of the AISA implementation and tariff filing.

Relative to the anticipated transition to a Regional Transmission Organization (i.e., Independent Systems Operator), Citizens has maintained an active role in the formation of Desert Star and believes it will become the likely successor to the AISA over a 5-year transition period. An organizational meeting for Desert Star is scheduled for November 10, 1999.

Regarding contingency plans, if the AISA Board fails to approve the Protocols and file its tariff with the FERC to allow timely implementation of retail open access in Citizens' service area, Citizens plans to: 1) adopt the AISA Protocols Manual, dated August 2, 1999, for use by competitive energy service providers; and 2) contract, or otherwise obtain outside assistance for, a 24-hour, 7-days-per-week scheduling function to accept schedules for competitive Scheduling Coordinators and to handle the billing for load scheduling and energy imbalances.

Should you need further information on this matter, please contact Resal Craven, Citizens' Director of Engineering, at (602) 532-4426.

Sincerely,



Carl W. Dabelstein